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UNCLAS SECTION 01 OF 05 ABUJA 000600

SIPDIS

STATE FOR AF/W AND EB/TPP
SATE PASS USTR
COMMERCE FOR ITA/MAC

E.O. 12958: N/A
TAGS: ETRD ECON EINV NI
SUBJECT: NIGERIA: TARIFF AND BAN INFORMATION

REF: USDOC 00785

Introduction and Comment

¶1. Mission provides the following clarifications on GON trade policy measures as requested by reftel. Mission understands that Washington agencies will use this information to prepare a formal high-level demarche to deliver to the GON. The timing of the demarche will be key to its effectiveness. To a large degree, the recent protectionism has been a product of electoral politics as the GON seeks the support of important business constituencies. GON officials will be pre-occupied with the election until the April 19 polls; delivering a demarche before then likely will be ineffective and unproductive. While the campaign is in full pitch, arguments for freer trade and tariff reduction will be overshadowed by electoral considerations, which usually favor protection. We suggest that the demarche be post-election, preferably right after the new government is inaugurated. End Introduction and Comment.

Mosquito Nets

¶2. Trade Measure: 40 percent tariff. (2003 Fiscal Policy Measures and Tariff Amendments, February 25, 2003)

Background: In April 2000, President Obasanjo hosted the first African Summit on Roll Back Malaria. Along with 32 other African Chiefs of State, he promised to reduce taxes and tariffs on mosquito nets and related goods. The GON reduced the tariff on mosquito nets (HS code 6304.9100-9900) to 5 percent in the 2001 Fiscal Policy Measures and Tariff Amendments, January 4, ¶2001. In contrast, all other textile imports were subject to a 50 percent duty. The 2002 tariff schedule increased the tariff for all fabrics to 75 percent, without including the exception for mosquito netting.

On February 14, Ambassador Jeter wrote the President, reiterating an earlier request to eliminate the tariff on mosquito netting and related goods, in line with the President's April 2000 commitment. On February 16, the Ambassador raised the issue directly with President Obasanjo, who said the tariff would be removed immediately. However, the 2003 tariff schedule--approved at a meeting of the Federal Executive Council subsequent to the Ambassador's conversation with Obasanjo--incorporated only a partial reduction of the tariff, to 40 percent.

Impact on U.S. Exports: There are no known U.S. exports of mosquito netting to Nigeria. However, from a public health perspective, this high tariff damages important USG goals to support economic and social (health care) development in Nigeria.

Pharmaceuticals

¶3. Trade Measures: Ban on imports of pharmaceuticals via land borders. Imports are allowed only through Calabar and Apapa seaports and Lagos and Kano airports. (2003 Fiscal Policy Measures and Tariff Amendments, February 25, 2003)

Background: Counterfeit drugs are widely available throughout Nigeria and pose a major public health hazard. There are frequent reports of deaths and illnesses caused by counterfeit drugs. The ban on overland trade is an attempt to reduce the

availability of substandard drugs smuggled in from neighboring states. It is unclear whether this ban will be properly enforced. History suggests it might not be.

Impact on U.S. Exports: U.S. pharmaceutical companies exporting to Nigeria do not typically use land routes. Most land-border imports of pharmaceuticals are substandard or counterfeit products entering through the Republic of Benin. They are smuggled in order to avoid paying duties or securing National Agency for Food and Drug Administration and Control (NAFDAC) approval. As such, this ban is not expected to substantially impact U.S. exports of legitimate pharmaceuticals to Nigeria.

¶4. Trade Measure: All locally made and imported pharmaceuticals must be registered with National Agency for Food and Drug Administration and Control (NAFDAC). The registration process appears relatively straightforward and forms are readily available, but there is a registration fee of 1,000,000 naira (approximately $8,000) for imported over-the-counter drugs and 250,000 naira (approximately $2,000) for prescription medicines. The fee for locally made drugs, over-the-counter and prescription, is 75,000 naira (approximately $600). Registration is valid for five years. (National Agency for Food and Drug Administration and Control Tariff Charges Regulations 2001, January 2, 2002)

Background: This registration process replaces one dating from 1994. There is little information available about the previous process.

Impact on U.S. Exports: Local importers of prescription drugs report that they have already complied with NAFDAC registration requirements and that they do not find the requirements onerous. From a trade policy perspective, registration fees are relatively low but the lack of national treatment is potentially problematic.

Fruit Juice

¶5. Trade Measure: Fruit juice may be imported in bulk concentrate form only. (2003 Fiscal Policy Measures and Tariff Amendments, February 25, 2003) The ban includes fruit flavored drinks, non-alcoholic wines, and flavored yogurt drinks. (NAFDAC letter, March 3, 2003)

Background: Information Minister Jerry Gana announced on January 29 that Nigeria's Federal Cabinet would ban the import of fruit juices in retail packs effective immediately. Gana continued: "Juices to be imported into the country must be in drums and must be processed in the country to generate income and employment. Packaged fruit juices imported into the country will be destroyed at the point of entry unless the consignment is in drums." Industry sources indicate that the ban aims to protect local producers and a few importers of juice concentrates. The ban is confirmed in the 2003 tariff schedule.

Impact on U.S. Exports: Nigeria's overall import figures are not readily available; however, import demand increased markedly over the past four years. The ban has cut off growing U.S. exports of fruit juices to Nigeria, which totaled $304,000 (U.S. trade data) last fiscal year. However, U.S. market share in this hundred million dollar-plus sector remains small.

Sugar

¶6. Trade Measure: 30 percent tariff and 5 percent sugar development levy on sugar. (Nigeria Customs Service Circular, February 6, 2003)

Background: The Nigeria Customs Service issued a circular January 15, 2003 increasing the duty on imported sugar (H.S. Codes 1702.1100 - 9900 and 1701.1100 - 9900) from 15 percent to 50 percent. This duty was reduced to 30 percent within weeks, after lobbying by domestic interests. An additional 5 percent sugar development levy remains in force. The effective duty rate is more than 40 percent when port

surcharges and other tax assessments are included.

Impact on U.S. Exports: The United States does not export sugar. Coca-Cola Nigeria, a franchisee of the U.S. company, reports the increase has significantly raised its costs, but is unable to provide data.

Detergent

¶7. Trade Measure: 100 percent tariff on detergents. (2002 Fiscal Policy Measures and Tariff Amendments, March 21, 2002)

Background: Domestic manufacturers of detergent pressured the GON to increase detergent tariffs in 2002 to 100 percent. According to Proctor & Gamble (P&G), this undermined a commitment it believed it had from the GON to maintain detergent tariffs at 40 percent.

Impact on U.S. Exports: P&G Nigeria--a joint venture with the U.S. company--imports Ariel detergent from sources outside the United States, so U.S. exports are not affected by this tariff. However, the company claims that profits from the import of Ariel were to be a substantial component of a $10 million investment in a diaper factory that began operating in 2002 and a $4 million facility to manufacture feminine pads, which is currently under construction. The viability of the two projects is questionable if profits from Ariel can no longer be realized and included in the financial investment package. The company points out that its import duty payments on Ariel have risen from $4.0 to $5.0 million a year while sales of Ariel have dropped 25 percent. P&G is interested in building a detergent factory in Nigeria and has written to the GON pledging to construct the factory if detergent duties were to be reduced to 20 percent until 2005. The company says that an investment plan worth $40 million over three years is at stake.

Poultry

¶8. Trade Measure: Frozen poultry imports are banned. (2003 Fiscal Policy Measures and Tariff Amendments, February 25, 2003)

Background: To revive its poultry sector, the GON banned poultry imports in August 2002. Before the ban, virtually all imported frozen poultry entered Nigeria illegally to evade the 75 percent tariff. Nigeria's poultry production does not meet demand, and industry sources estimate its undocumented imports of frozen poultry at approximately 25,000 metric tons/year, about 20 percent of national consumption.

Impact on U.S. Exports: Without a ban, U.S. exports would meet about 40 percent of the 25,000 metric ton deficit, at an estimated value of about $6 million. Some U.S. poultry is likely still being imported illegally, just as it was prior to the ban.

Sorghum, Millet, and Cassava

¶9. Trade Measure: Sorghum and millet imports are banned. (GON Import Prohibition List, 1998) Cassava imports are banned. (2003 Fiscal Policy Measures and Tariff Amendments, February 25, 2003)

Background: Sorghum, millet, and cassava are crops important to subsistence farming in Nigeria and the GON has banned their import for many years. Nigeria has plans to be a major cassava exporter. (Cassava is used for tapioca pudding and industrial starch.)

Impact on U.S. Exports: The ban is believed to have a minimal impact on U.S. exports of sorghum and millet.

Vegetable Oil

¶10. Trade Measure: Imports of food-grade vegetable oil in bulk are banned. (2002 Fiscal Policy Measures and Tariff Amendments, March 21, 2002)

Background: Vegetable oil imported in retail packs faces a 60 percent tariff. GON trade officials complained that bulk food grade oil imports were being passed off as industrial grade, thus paying a lower duty. These officials claim that banning bulk imports of food grade oil makes the tariff easier to enforce. However, industry sources say that raw and refined palm oil is smuggled from Malaysia in bulk.

Impact on U.S. Exports: The United States exports soybean oil to Nigeria in retail packs. We have insufficient information on local demand for vegetable oils to determine the volume of U.S. vegetable oil in bulk that might be exported should the ban be lifted.

Flour

¶11. Trade Measure: Flour imports are banned. (GON Import Prohibition List, 1998)

Background: In an effort to encourage local agricultural processing, the GON has banned flour imports for many years.

Impact on U.S. Exports: Nigeria is a large export market for U.S. wheat, and removal of the ban on flour could be detrimental to this trade. Were the ban to be lifted, it is unclear that U.S. flour would be cost-competitive with flour milled in other countries.

Printed Fabric

¶12. Trade Measure: Certain printed fabrics known locally as African prints may not be imported. (2003 Fiscal Policy Measures and Tariff Amendments, February 25, 2003)

Background: The ban on African prints was announced in an August 27, 2002, Ministry of Finance circular. Customs Service Circular No. 25/2002, dated September 24, 2002, directs customs offices to implement the ban. Subsequently, Ministry of Commerce officials--who claimed the ban was necessary to meet AGOA trans-shipment requirements--reported it had been lifted and replaced by a complicated import licensing system. The Standards Organization of Nigeria and the Customs Service, the would-be implementers of the system, could provide no details on how it would work. The 2003 tariff schedule states that the printed fabric import ban will remain in effect for 2003. It does not differentiate between African prints and other types of printed fabrics.

Impact on U.S. Exports: Post is unaware of any U.S. exports of African prints prior to the ban. U.S. trade data indicates the Unites States exported $400,000 in woven cotton fabrics to Nigeria in 2002. Although these U.S. goods are not targeted by the ban, it is possible that confusion surrounding the extent of the ban could result in cancelled orders, impounded shipments, or other difficulties that might reduce U.S. exports.

Used Clothing

¶13. Trade Measure: Used clothing imports are banned. (Unknown source)

Background: Customs Service officials say a ban on imports of used clothing has been in effect since the 1970's. However, the ban has been poorly enforced, and these goods continue to pour over the Benin border.

Impact on U.S. Exports: The impact on U.S. exports appears to be minimal due to widespread lack of enforcement.

Rice

¶14. Trade Measure: The GON applies a 100 percent tariff on rice imports. (2002 Fiscal Policy Measures and Tariff Amendments, March 21, 2002)

Background: Rice is a staple of the Nigerian diet. GON

officials believe the country has the potential to be self-sufficient in rice production. To date, the GON's policy instrument of choice to encourage rice production in Nigeria--high tariffs--has proven unsuccessful. It has substantially raised prices for the average consumer without significantly increasing domestic production.

Impact on U.S. Exports: U.S. rice exports to Nigeria currently approximate 5,500 metric tons/year, which excludes the 12,500 metric tons sold to an NGO in 2003 for monetization under a USDA food aid program. Nigerian rice imports total about 2 million metric tons annually. Industry sources say U.S. raw rice would be competitive, but Nigeria imports mostly finished, parboiled rice. U.S. finished rice sells for $30 to $40 a metric ton more than Indian and Thai rice, so even if the duty were lower, U.S. exporters would be unlikely to increase their market share. Industry sources report that the GON is considering proposals by investors who would be prepared to mill rice in Nigeria if the duty on unfinished rice were lowered to 5 percent. Such a scenario could help U.S. rice exporters.

Bottled Water, Biscuits (Cookies), Noodles, Spaghetti, and Toothpicks
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¶15. Trade Measure: Imports of Bottled Water, Biscuits (Cookies), Noodles, and Toothpicks are banned. (Customs Service Circulars, March 3, 2003)

Background: President Obasanjo announced bans on these goods at a campaign stop in early March. A supporter of the governing party, Dangote Industries, manufactures spaghetti. There are numerous water, cookie, and toothpick manufacturers in Nigeria.

Impact on U.S. Exports: Industry sources say the United States exports biscuits to Nigeria, but data to support that claim is not readily available. Clearly, the ban would affect whatever exports there are. The United States did not export bottled water, noodles, or toothpicks to Nigeria in 2002. Ironically, the ban on biscuits and noodles could bolster U.S. wheat exports.

JETER

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1.Insert the standard sections headers. Use Insert|File.
2.Insert a PSD table. Use Insert|Spreadsheet|Create Link
3.Insert a Trade Matrix or a Prices table. Use Insert|Spreadsheet|Create Link